CURRENT DEVELOPMENTS

Spotlight on IFRS

Q3 2022

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Quarterly update

Each quarter, we provide a summary of newly effective and forthcoming standards as well as other significant accounting and financial reporting developments. This edition covers current developments in the quarter ended on September 30, 2022.

Each quarter, we highlight the challenges faced by your company, your employees and your customers in these uncertain times. The global economic uncertainty continues while issues such as COVID-19, natural disasters, geopolitical events, inflation and economic slowdowns evolve. Our *Financial reporting in uncertain times resource centre* – which features a range of articles, blogs and podcasts – explores the potential accounting and disclosure implications for your company.

Interest rates continue to rise in Canada and many other countries. This may impact the measurement of assets, liabilities and net interest expense, and trigger impairment losses. Refer to our *webpage* where we highlight some of the key financial reporting areas that may be affected by rising interest rates.

With the expectation of finalizing its first two standards as early as possible in 2023, the International Sustainability Standards Board (ISSB) discussed in September 2022 the themes of comment letters received on its two exposure drafts and an action plan of areas to prioritize. The ISSB also discussed how to ensure that the final standards are 'scalable' or feasible for all types of companies to adopt as well as the complex area of financed and facilitated emissions.

As insurers prepare for the January 2023 implementation date of IFRS 17 *Insurance Contracts* and IFRS 9 *Financial Instruments*, they should consider the pre-transition disclosures on the impact of these standards. Investors, regulators and other stakeholders will expect these to provide timely and useful information. Refer to our *seven-step action plan* which helps companies prepare for reporting in 2022 and 2023.

In September 2022, the IASB issued amendments to IFRS 16 *Leases*[1] which impact how a seller-lessee accounts for variable lease payments that arise in a sale-and-leaseback transaction. For additional information about the amendments, refer to our *web article*.

At its June 2022 meeting, the IFRIC reached its conclusions on the tentative agenda decision *Cash Received via Electronic Transfer as Settlement for a Financial Asset (IFRS 9)*, which addressed when a payee derecognizes a trade receivable and recognizes cash when using an electronic transfer system for settlement. Following feedback from respondents on the IFRIC's tentative agenda decision, instead of finalizing the decision proposed by the IFRIC, the IASB has decided to explore narrow-scope standard setting on electronic payments as part of its post-implementation review of IFRS 9 *Financial Instruments*. For more information about this topic, refer to our *webpage*.A number of new requirements are effective from January 1, 2022. Further information on these new requirements is provided in the section *Requirements effective in 2022*.

Our 2022 *guides* to condensed interim and annual financial statements will help you prepare financial statements in accordance with IFRS Standards. The updated annual guides reflect standards in issue at August 31, 2022 that are required to be applied by a company with an annual reporting period beginning on January 1, 2022.

[1] *Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)*

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Major projects and new standards

Insurance contracts (IFRS 17)

In May 2017, the IASB issued the new insurance contracts standard IFRS 17 which brings fundamental changes to insurance accounting. IFRS 17 introduces a single:

- measurement model based on a current fulfillment value that incorporates available information in a way that is consistent with observable market information; and
- revenue recognition principle to reflect services provided.

Benefits of the new standard include increased transparency about the profitability of new and in-force business which will provide more insight into an insurer's financial health. Other effects may include greater volatility in financial results and equity due to the use of current discount rates and assumptions around future cash flows.

Other changes include:

- separate presentation of underwriting and finance results, providing information surrounding the sources of profit and quality of earnings;
- premium volumes will no longer drive the 'top line' as investment components and cash received are no longer considered to be revenue; and
- accounting for options and guarantees will be more consistent and transparent.

Implementation of IFRS 17 requires the coordination of several functions, including finance, actuarial, and IT as well as the introduction of new or upgraded systems, processes and controls. Read our *web article 1* and *web article 2* about the published guidance by the Global Public Policy Committee (GPPC) which seek to help insurers' audit committees fulfil their responsibilities for IFRS 17 implementation.

To help support implementation and reduce the potential for diversity in practice, both the IASB and the Canadian Accounting Standards Board have set up Transition Resource Groups (TRGs) – with the Canadian TRG focusing on Canadian-specific issues. Our online magazine *Insurance – Transition to IFRS 17* tracks the activities of IASB's TRG and contains our summary of and observations on the topics discussed.

Amendments to IFRS 17 (the June 2020 amendments)

To address concerns and implementation challenges the IASB, after several months of redeliberations, published amendments to IFRS 17 in June 2020 (the June 2020 amendments). The following are the key areas of amendments:

- Effective date: January 1, 2023 is the effective date for application of IFRS 17 and exemption from applying IFRS 9 *Financial Instruments* for qualifying insurers;
- Scope for certain credit cards that provide insurance coverage and loans that meet the definition of an insurance contract;
- Measuring the contractual service margin
  - Accounting policy choice for interim reporting;
  - Insurance contract services now include both insurance and investment services;
  - Accounting for assets and liabilities before the related group of contracts is recognized;
- Transitioning to IFRS 17
  - Contracts acquired in their settlement period;
  - Assets for insurance acquisition cash flows;
  - Transition reliefs and minor amendments;
- Accounting for direct participating contracts
  - Risk mitigation option expanded to non-derivative assets at fair value through profit or loss and reinsurance contracts held and extended to provide relief prospectively from the transition date;
  - Applying the OCI option and risk mitigation option together;
- Accounting for reinsurance contracts held
  - Accounting for recovery of losses on initial recognition;
- Presentation and disclosure requirements
  - Presentation in the statement of financial position;
  - Treatment of income taxes chargeable to the policyholder.

For additional information about the amendments, refer to our *web article* and listen to our *podcast*.

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Our updated guide *Insurers – Illustrative disclosures* provides a comprehensive illustration for financial statements for an annual period beginning on January 1, 2023 when IFRS 17 and IFRS 9 are applied for the first time (including the impact of the June 2020 amendments).

For additional information, refer to our webpage *IFRS – Insurance* and updated publication *Insurance Contracts – First Impressions*.

Initial application of IFRS 17 and IFRS 9 — comparative information (Amendments to IFRS 17)

When transitioning to IFRS 17 and IFRS 9 at the same time, significant accounting mismatches may arise between financial assets and insurance contract liabilities in the comparative information as the two standards have different requirements for the comparative information that will be presented on initial application.

To alleviate these issues, in July 2021 the IASB published an exposure draft *Initial Application of IFRS 17 and IFRS 9 – Comparative Information* for a narrow-scope amendment to IFRS 17. The proposed amendment would create an optional 'classification overlay' approach to provide insurers with an option to present comparative information about financial assets on a basis that is more consistent with how IFRS 9 will be applied in future reporting periods, without unnecessarily disturbing the implementation processes for both IFRS 17 and IFRS 9.

The optional approach would:

- apply to both insurers that restate and those that do not restate comparative information for IFRS 9.
- apply to financial assets that are connected to insurance contract liabilities and to which IFRS 9 has not been applied in the comparative periods.
- allow an insurer to classify those financial assets in the comparative periods in a way that aligns with how the insurer expects those assets would be classified on initial application of IFRS 9.
- apply for comparative periods that have been restated for IFRS 17 – i.e. from the date of transition to the date of initial application of IFRS 17.
- apply on an instrument-by-instrument basis.

The optional approach would enhance the usefulness of comparative information by:

- enabling insurers to avoid significant mismatches and inconsistencies that do not reflect economic mismatches; and
- enhancing the comparability between periods by providing information about the classification of financial assets that is expected to be consistent with that presented for periods from the initial application of IFRS 9.

Following the feedback received on the July 2021 exposure draft, the IASB has completed its redeliberations and decided to:

- remove the restriction proposed in the exposure draft that would have allowed the classification overlay to be applied only to a financial asset held for an activity connected with contracts in the scope of IFRS 17. Instead, the classification overlay would apply to *all* financial assets regardless of whether they are, or were, held in respect of insurance activities. This means that an insurer can choose to apply this approach to all financial assets on an instrument-by-instrument basis.
- expand eligibility for the classification overlay approach to those insurers that have adopted IFRS 9 before adopting IFRS 17. This would allow them to reduce any accounting mismatches relating to financial assets that are derecognized in the comparative period.

In December 2021, the IASB has issued the narrow-scope amendment *Initial Application of IFRS 17 and IFRS 9 – Comparative Information* (Amendment to IFRS 17). This amendment is applicable when an insurer initially applies IFRS 17.

For additional information, refer to our *web article 1* and *web article 2*.

IFRS 17 for non-insurers

From 2023, IFRS 17 will apply to all companies. This is because the new standard applies to all contracts that may meet the definition of an insurance contract, regardless of the issuer, and therefore all companies could be affected, not just insurers.

The definition of an insurance contract has changed from IFRS 4 *Insurance Contracts*. Some contracts issued by companies could meet the definition of an insurance contract, even if they are not called insurance contracts – e.g. mobile device replacement contracts or extended warranties.

It is important for a company to determine now whether it issues any insurance contracts in the scope of IFRS 17 as the requirements of IFRS 17 may be challenging for companies to meet.

For additional information, refer to our *web article* and our *guide*.

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Update on rate-regulated activities project

Some companies are subject to regulations that say how much and when they can charge their customers. Although some national accounting bodies provide specific guidance on accounting for the effects of rate regulation, IFRS does not contain any equivalent comprehensive guidance. IFRS 14 *Regulatory Deferral Accounts* provides only temporary relief to first-time adopters of IFRS that are subject to rate regulation.

Companies use different accounting models to report the effects of this rate regulation. Some of these models reflect incomplete information about how rate regulation affects a company's underlying financial position, performance and cash flows.

In January 2021, the IASB published its exposure draft *Regulatory Assets and Regulatory Liabilities*. The exposure draft proposes a new accounting model under which a company subject to rate regulation that meets the scope criteria would recognize regulatory assets and liabilities. This accounting model would align the total income recognized in a period under IFRS Standards with the total allowed compensation the company is permitted to earn by the rate regulator, often reducing reported volatility in financial performance.

The key proposal in the exposure draft is that a company that is subject to rate regulation should report in its financial statements the total allowed compensation it is permitted to earn by the rate regulator for goods and services supplied in the period.

To achieve this, the exposure draft proposes an 'overlay' approach under which a company would, first, continue to apply the requirements of existing IFRS Standards – for example, to recognize and measure revenue from contracts with customers. Then, a company would recognize:

- a regulatory asset – when it has an enforceable present right to add an amount in determining the regulated rate to be charged to customers in future periods; and
- a regulatory liability – when it has an enforceable present obligation to deduct an amount in determining the regulated rate to be charged to customers in future periods.

Movements in regulatory assets and liabilities would give rise to regulatory income and expense. Broadly speaking, the total revenue recognized under existing IFRS Standards plus regulatory income minus regulatory expense under the proposed new IFRS Standard would align with the total allowed compensation determined by the rate regulator.

The company would present regulatory income minus regulatory expense separately in the statement of financial performance, immediately below revenue. Regulatory assets and liabilities would be presented separately from other assets and liabilities.

It is possible that some companies in the utility sector would not meet the scope criteria, whereas some outside the utility sector would be captured. A company would fall within the scope of the proposals if it meets the following conditions:

- the company is a party to a regulatory agreement;
- the regulatory agreement determines the regulated rate that the company can charge for goods or services supplied to its customers; and
- the regulated rate is determined in a such a way that some or all the total allowed compensation for goods or services supplied in one period is charged to customers in a different period.

The proposed standard provides some guidance for these conditions. If a company meets these criteria, then it would be required to apply the accounting model in the exposure draft. Unlike the approach in IFRS 14, the new accounting model would not be optional.

Companies covered by the proposals who did not apply IFRS 14 would recognize new assets and liabilities, and new items of income and expense. The impact on financial performance will depend on the facts and circumstances of the company but common cases would include the following:

- If recognition of income under IFRS Standards previously lagged total allowed compensation permitted by the regulator, then a company would see an increase in net assets on transition to the new standard.
- If a company previously experienced material short-term timing differences between recognition of income under IFRS Standards and total allowed compensation permitted by the regulator, volatility in reported earnings would be reduced.

Companies that applied IFRS 14 would transition to the new requirements. There is no option to automatically carry forward existing IFRS 14 accounting.

The IASB received 128 comment letters on the exposure draft when the comment period closed in July 2021.

In December 2021, the IASB discussed a plan for redeliberations to address the feedback received in the comment letters.

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Pursuant to the plan for redeliberations, at its February 2022 meeting, the IASB redeliberated the scope of the proposals in the exposure draft relating to:

- determining whether a regulatory agreement is within the scope of the proposals; and
- the definition of a regulator.

Project updates in Q3 2022

At its July and September 2022 meetings, the IASB continued to redeliberate the proposals. The exposure draft and information about project updates are available on the IASB's *Rate-regulated Activities* *project page*.

In particular, the IASB discussed:

- components of total allowed compensation and whether they appropriately reflect the economics of incentive-based schemes;
- how a company's accounting treatment of borrowing costs incurred in the construction of an asset could affect the amount of regulatory returns reflected in profit or loss during the construction period; and
- interaction between the exposure draft and IFRIC 12 *Service Concession Arrangements*.

The IASB will continue to redeliberate the project proposals at future meetings.

Read our *web article* and *New on the Horizon* publication which contain detailed analysis and insights.

General presentation and disclosures

In December 2019, the IASB published the exposure draft *General Presentation and Disclosures* that aims to improve how information is communicated in the financial statements, with a focus on financial performance. The proposals would result in a new IFRS Standard, replacing IAS 1 *Presentation of Financial Statements*, and would amend some other IFRS Standards.

The proposals would introduce significant changes to the structure of a company's income statement, more discipline and transparency in presentation of management's own performance measures (commonly referred to as 'non-GAAP measures,') and less aggregation of items into large, single numbers.

Presentation choices in the cash flow statement would also be reduced, improving comparability.

The IASB proposes requiring:

- additional subtotals in the income statement, including 'operating profit';
- disaggregation to help a company to provide relevant information;
- disclosure of some management-defined performance measures – that is, performance measures not specified by IFRS Standards; and
- limited changes to the statement of cash flows to improve consistency in classification by removing options.

Based on the feedback received on its exposure draft, at its meetings the IASB have begun to redeliberate the proposals. The topics discussed in the previous meetings include:

- subtotals and categories in the statement of profit or loss;
- classification in categories;
- companies with specified main business activities (i.e. companies that invest or provide financings as a main business activity);
- subtotals and categories related to associates and joint ventures;
- roles of primary financial statements and notes;
- principles of aggregation and disaggregation;
- principles for presentation;
- unusual income and expenses;
- management performance measures and related disclosures; and
- amendments to the statement of cash flows.

Project updates in Q3 2022

At its July and September 2022 meetings, the IASB continued to discuss the proposals from the exposure draft. The topics that were discussed and redeliberated in Q2 2022 include, among others:

- companies with specified main business activities;
- disclosures of operating expenses by nature for companies that present an analysis of operating expenses by function in the statement of profit or loss;
- definition of unusual income and expenses;
- investments in subsidiaries, associates and joint ventures;
- classification of incremental expenses incurred generating income and expenses from investments;
- specified subtotals; and

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- presentation of operating expenses in the statement of profit or loss.

At its future meetings, the IASB will continue to redeliberate the project proposals.

The exposure draft and other materials are available on the IASB's *Primary Financial Statements* project page. Read our *web article* and *New on the Horizon* publication which contains detailed analysis and insights.

Update on financial instruments projects

Financial instruments with characteristics of equity

IAS 32 *Financial Instruments: Presentation* sets out how an issuer distinguishes between a financial liability and equity and works well for many, simpler financial instruments. However, classifying more complex financial instruments under IAS 32 – e.g. those with characteristics of equity – can be more challenging, leading to diversity in practice. In response, in June 2018 the IASB has published a discussion paper *Financial Instruments with Characteristics of Equity* (FICE) that sought to improve IAS 32.

In September 2019 in the light of the feedback received on the discussion paper, the staff provided the IASB five alternatives for the direction of the FICE project. From the alternatives, the IASB tentatively decided on making clarifying amendments to IAS 32, which would focus on addressing practice issues by clarifying particular underlying principles in IAS 32.

In October 2019, the IASB discussed the project plan and outlined a preliminary list of practice issues that could be addressed in the scope of the project:

(a) classification of financial instruments that will or may be settled in the issuer's own equity instruments – e.g. application of the fixed-for-fixed condition to particular derivatives on own equity and the classification of mandatorily convertible financial instruments;

(b) accounting for obligations to redeem own equity instruments – e.g. accounting for written put options on non-controlling interests (NCI puts);

(c) accounting for financial instruments that contain contingent settlement provisions – e.g. financial instruments with a non-viability clause;

(d) the effect of laws and regulations on the classification of financial instruments;

(e) reclassification between financial liability and equity instruments – e.g. when circumstances change, or contractual terms are modified; and

(f) classification of particular financial instruments that contain obligations that arise only on liquidation of the company – e.g. perpetual financial instruments.

At its December 2020 meeting, the IASB decided to move the FICE project from the research programme to the standard-setting programme.

Project updates in Q3 2022

At its July and September 2022 meetings, the IASB discussed the accounting for financial instruments containing obligations for a company to redeem its own equity instruments, including written put options on non-controlling interests.

The IASB tentatively decided, among others to propose amendments to IAS 32 to clarify the following:

- Paragraph 23 of IAS 32 applies also to an obligation to redeem a company's own equity instruments that is required to be settled in a variable number of a different type of the company's own equity instruments.

- On initial recognition of the obligation to redeem own equity instruments involving non-controlling interests, the debit entry is recognised against a component of equity other than non-controlling interests if the company does not already have access to the returns associated with an ownership interest.

- On initial recognition of the obligation to redeem own equity instruments involving its own shares other than non-controlling interests, the debit entry is recognised against a component of equity other than issued share capital.

- On expiry of a written put option on a company's own equity instruments, (i) the financial liability is reclassified to the same component of equity as that from which it was reclassified on initial recognition of the put option; and (ii) the cumulative amount in retained earnings related to the remeasurement of the financial liability could be reclassified to another component of equity, but cannot be reversed in profit or loss.

- The rationale why written put options and forward purchase contracts on a company's own equity instruments are required to be presented gross (rather than net).

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The discussion paper and information about project updates are available on the IASB's *Financial Instruments with Characteristics of Equity* project page.

The IASB will discuss other topics set out in the project plan at its future meetings.

Dynamic risk management

Although IAS 39 *Financial Instruments: Recognition and Measurement* and IFRS 9 provide models for macro hedge accounting, these contain restrictions that limit companies' ability to reflect some common dynamic risk management activities in their accounting (i.e. when the risk position being hedged changes frequently and is hedged by an open portfolio of changing assets and liabilities). Moreover, some of these models deal specifically with interest rate risk management rather than other types of risk. Without an accounting model that reflects the broader use of dynamic risk management activities, some have asserted that it can be difficult to faithfully represent these activities in financial statements.

In response to these issues, in April 2014 the IASB published the discussion paper *Accounting for Dynamic Risk Management – a Portfolio Revaluation Approach to Macro Hedging* as the first due process document for the project.

Based on the feedback received from respondents on the discussion paper, the IASB decided to prioritize the consideration of interest rate risk and consider other risks at a later stage in the project.

In November 2017, the IASB tentatively decided that the dynamic risk management accounting model should be developed based on cash flow hedge accounting mechanics.

Some of the key areas discussed by the IASB in past meetings were the following:

- the role of the asset profile within the Dynamic Risk Management Accounting model (the Model); in particular, the application of qualifying criteria to the asset profile, as well as designation of items within the asset profile and documentation requirements.
- the role of the target profile within the Model; in particular, what is a target profile, how it is determined, consistency of the asset profile and target profile and the time horizon of the target profile.
- the application of qualifying criteria to the target profile, as well as designation of items within the target profile, core demand deposits and the documentation requirements.
- derivative financial instruments, including designation and de-designation of derivatives.
- the information that should be provided in situations of imperfect alignment (i.e. when the asset profile, in conjunction with the designated derivatives, are not aligned with the target profile).
- misalignments that could result in an accounting outcome inconsistent with the purpose of the Model, economic relationship between the target profile and the combination of the asset profile and designated derivatives.
- how derivatives designated within the Model should be presented in financial statements.
- negative balances within the target profile.
- documentation of and changes in risk management strategy.

Between October 2020 and April 2021, to assess the viability and operability of the Model, the IASB carried out outreach with financial institutions (mainly banks) that manage interest rate risk using dynamic risk management strategies, and received feedback on core elements that are central to the Model.

The key areas for improvement in the Model that were identified from the outreach include:

- target profile;
- designation of expected cash flows and impact on imperfect alignment; and
- recognition of fair value changes in other comprehensive income.

Since April 2021, at its meetings, the IASB has discussed potential refinements to the Model to address the three main challenges identified from the outreach.

At its May 2022 meeting, the IASB decided to move the project to the standard-setting programme.

Project updates in Q3 2022

At its July 2022 meeting, the IASB discussed the project plan, in particular the areas and topics that are needed to further develop the Model together with the order in which they will be discussed in the future. The discussion paper and information about project updates are available on the IASB's *Dynamic Risk Management* project page.

At its future meeting, the IASB will begin deliberations on the areas and topics identified in the project plan.

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Other developments

Classification of debt with covenants as current or non-current

In January 2020 the IASB issued amendments to IAS 1[2] (the 2020 amendments) and clarified how to classify debt and other financial liabilities as current or non-current in particular circumstances. In its December 2020 tentative agenda decision, the IFRIC clarified that classifying debt with future conditions as current or non-current would be based on a *hypothetical test* at the reporting date – a test that the lender does not require until a later date. The tentative agenda decision illustrates how a company would apply the 2020 amendments using three different term loan examples.

The tentative agenda decision clarifies that when the right to defer settlement of a liability for at least 12 months after the reporting date is subject to future conditions related to financial position, a company (borrower) would need to perform a hypothetical test for compliance at the reporting date:

- if the loan agreement requires the test for compliance at a later date; and
- using its financial information as at the reporting date.

This means that a company would classify its debt as non-current only when it complies at the reporting date with *all* conditions – i.e. those conditions that exist at the reporting date and those that are due to be tested within 12 months after that date.

Respondents to the tentative agenda decision provided information about situations that the IASB did not specifically consider when developing the 2020 amendments. In response to the new information received, at its June 2021 meeting the IASB tentatively decided, among other decisions, to amend IAS 1 once more.

In November 2021, the IASB published the exposure draft *Non-current Liabilities with Covenants* (the 2022 amendments). The proposals in the exposure draft change the 2020 amendments to specify that only covenants with which a company must comply *on or before* the reporting date affect the classification of a liability as current or non-current. In contrast, covenants with which the company must comply within twelve months *after* the reporting date (or beyond) would have no effect on the classification of a liability. In other words, covenants to be tested after the reporting date would be ignored for classification purposes.

IAS 1 would be amended further to clarify that a company does not have a right to defer settlement, and would therefore classify a liability as current, if the liability could become repayable within twelve months:

- at the discretion of the counterparty or a third party – e.g. when a loan is callable by the lender at any time without cause; or
- depending on an uncertain future event or outcome that is unaffected by the company’s future actions – e.g. when the liability is a financial guarantee or insurance contract.

Companies would be required to present a separate line item in the balance sheet for non-current liabilities that are subject to future covenants and provide additional disclosure to enable users of financial statements to assess the risk that the liability could become repayable within twelve months. Disclosures would include:

- information about the covenants – e.g. their nature and the date on which the company must comply with them;
- whether the company would have complied with them at the reporting date; and
- whether and how the company expects to comply with them in the future.

[2] *Classification of Liabilities as Current or Non-current (Amendments to IAS 1)*

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The proposals would amend some of the requirements of the 2020 amendments before those requirements become effective. The IASB is therefore proposing to defer the effective date of the 2020 amendments to no earlier than January 1, 2024 to avoid companies potentially having to change their assessment of the classification of debt twice within a short period. In view of these developments, companies should carefully consider if early adoption of the 2020 amendments is appropriate.

Although the 2020 amendments will be revisited, while they are still in place, companies will need to consider including IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* disclosures for issued but not yet effective requirements in their next annual financial statements.

The comment period for the exposure draft ended on March 21, 2022.

At its June 2022 meeting, the IASB discussed feedback received on the exposure draft and some changes to the proposals. The IASB tentatively decided, the following main points (among other items):

- Classification of liabilities as current or non-current:
  - To finalize the proposed amendments that only covenants with which a company must comply on or before the reporting date would affect a liability's classification as current or non-current (these proposals were included in amendments to paragraph 72A and the addition of paragraph 72B of the exposure draft).
  - Not to finalize the proposed clarification about situations in which a company does not have a right to defer settlement as the proposed clarification may raise more questions, specifically related to the notion 'unaffected by the entity's future actions' (paragraph 72C of the exposure draft). Instead the proposed requirements of paragraph 72B will be specified such that it is clear that the requirements will apply to only liabilities arising from loan arrangements.
- Separate presentation and disclosure:
  - Not to finalize the proposal that would require a company to present non-current liabilities with covenants separately. Instead, the carrying amount of such liabilities will be required to be disclosed in the notes.
  - To finalize the proposal that requires a company to disclose information about non-current liabilities with covenants, albeit with modifications to the initial proposal. Specifically, when a company classifies liabilities arising from loan arrangements as non-current and those liabilities are subject to covenants, it will be required that the company disclose information that enables investors to assess the risk that the liabilities could become repayable within 12 months.

Project updates in Q3 2022

At its July and September 2022 meetings, the IASB discussed and tentatively decided to:

- require companies to apply the 2020 amendments for annual reporting periods beginning on or after January 1, 2024.
- allow early application of the 2020 amendments, but require a company that applies the 2020 amendments early to also apply the 2022 amendments once the 2022 amendments are issued.

The exposure draft and information about project updates are available on the IASB's *Non-current Liabilities with Covenants (Amendments to IAS 1)* project page.

For more information about the amendments, refer to our *web article 1* and *web article 2*.

Disclosure initiative – targeted standards-level review of disclosures

Concerns are common among stakeholders about disclosures in financial statements prepared under IFRS Standards. Often described as the 'disclosure problem' – where financial statements provide too much irrelevant information, too little relevant information and ineffective communication – stakeholders have indicated that a 'checklist approach' to providing disclosures is one of the reasons why the problem persists. How disclosure requirements in IFRS Standards are developed and drafted can also be contributing factors.

To attempt to address these concerns, the IASB is proposing a new approach to the way it develops and drafts the disclosure requirements in IFRS Standards, with the intention of providing information that is more useful to decision making. This proposed new approach would introduce overall and specific disclosure objectives for each standard, as well as items of information that a preparer would consider disclosing to enable it to meet those objectives.

The aim is to help preparers to focus on disclosing material information rather than adopting a checklist approach and providing 'boilerplate' information. Preparers would need to exercise judgement in determining what information should be

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disclosed to meet both the overall and specific disclosure objectives of the particular standard in their particular circumstances.

As a pilot, the IASB has applied this draft guidance in developing proposed disclosure requirements for IFRS 13 *Fair Value Measurement* and IAS 19 *Employee Benefits*. In March 2021, the IASB published the exposure draft *Disclosure Requirements in IFRS Standards – A Pilot Approach*.

The comment period for the exposure draft ended on January 12, 2022.

Project updates in Q3 2022

At its July 2022 meeting, the IASB discussed possible project directions in consideration of the feedback received on the exposure draft. The exposure draft, comment letters and information about project updates are available on the IASB's *Disclosure Initiative—Targeted Standards-level Review of Disclosures* *project page*.

The IASB will decide the direction of this project at a future meeting.

For more information about the exposure draft, refer to our *web article*.

Supplier finance arrangements

In response to investors' calls for more transparency of the impact of supplier finance arrangements on the financial statements, the IASB is proposing additional disclosure requirements for companies that enter into these arrangements. In October 2021, the IASB published the exposure draft *Supplier Finance Arrangements*, proposing amendments to IAS 7 *Statement of Cash Flows* and IFRS 7 *Financial Instruments: Disclosures*.

The proposals do not address the classification and presentation of the related liabilities and cash flows. Rather, the proposals intend to complement the IFRIC's agenda decision *Supply Chain Financing Arrangements – Reverse Factoring* published in December 2020.

The IASB's proposals apply to supplier finance arrangements, which have the following characteristics:

- a finance provider (the factor) pays amounts a company (the buyer) owes its suppliers;
- the company agrees to pay the finance provider at the same date as, or a date later than, suppliers are paid; and
- the company is provided with extended payment terms or suppliers benefit from early payment terms, compared with the related invoice payment due date.

However, the proposals do not apply to arrangements for financing receivables or inventory.

The proposals introduce a new disclosure objective in IAS 7 for a company to provide information about its supplier finance arrangements that would enable users (investors) to assess the effects of these arrangements on the company's liabilities and cash flows.

The proposals also add supplier finance arrangements as an example to existing disclosure requirements in:

- IFRS 7 for factors a company might consider in providing select quantitative liquidity risk disclosures about its financial liabilities; and
- IAS 7 for non-cash changes in liabilities arising from financing liabilities.

Companies may need to start collating additional information to satisfy the proposed new disclosure requirements.

The amendments would be applied retrospectively by applying IAS 8. The IASB has not yet proposed an effective date but earlier application would be permitted.

The comment period for the exposure draft ended on March 28, 2022. The IASB will consider the feedback on its proposals before deciding whether to finalize the proposed amendments.

Project updates in Q3 2022

At its July meeting, the IASB discussed feedback received on the exposure draft. The exposure draft, comment letters and information about project updates are available on the IASB's *Supplier Finance Arrangements* *project page*.

The IASB will discuss the direction of the project at a future meeting.

For more information about the exposure draft refer to our *web article*.

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Sustainability reporting

The demand for sustainability-related information continues to grow as business models are increasingly exposed to social and environmental issues, including climate-change related regulation. Although a variety of sustainability frameworks and standards already exist, investors are calling for convergence and a single framework that will bring consistency and comparability.

To address the need for a global set of internationally recognized sustainability standards, in November 2021 the IFRS Foundation Trustees announced the formation of the new standard-setting board, the International Sustainability Standards Board (ISSB). The ISSB will aim to develop sustainability disclosure standards that are focused on enterprise value.

The ISSB released its first two proposed standards on March 31, 2022:

- The exposure draft *General Requirements for Disclosure of Sustainability-related Financial Information* (General Requirements exposure draft) sets out general sustainability-related disclosure requirements.
- The exposure draft *Climate-related Disclosures* (Climate exposure draft) specifies climate-related disclosure requirements.

These standards are being developed at a much faster pace than IFRS Accounting Standards, and the first standards could be finalized in early 2023. Individual jurisdictions will decide whether and when to adopt but a rapid route to full adoption is expected in a number of jurisdictions. Companies need to monitor their jurisdictions' response to standards issued by the ISSB and prepare for their potentially rapid implementation.

Under the proposals, companies would report on all relevant sustainability topics (not just on climate-related risks) across four content areas that are consistent with Task Force on Climate-related Financial Disclosures (TCFD) – i.e. governance, strategy, risk management, and metrics and targets. Companies would provide globally consistent disclosures that focus on how sustainability topics affect enterprise value.

Reporting would be connected to the financial statements and released at the same time. Therefore, companies will need processes and controls in place so that they can provide sustainability information of the same quality, and at the same time, as their financial information.

Over 1,400 comment letters on the two exposure drafts were received when the comment period closed on July 29, 2022. The exposure drafts and the comment letters are available on the IASB's *Climate-related Disclosures* project page and *General Sustainability-related Disclosures* project page.

Read our *New on the Horizon* publication which explores some of the key impacts and how companies might apply the proposals, using our insight and illustrative examples.

Project updates in Q3 2022

At its September 2022 meeting, the ISSB discussed the themes from the comment letters received on its two exposure drafts and an action plan of areas to prioritize, with the expectation of finalizing its first two standards as early as possible in 2023.

Additionally, the ISSB discussed:

- introducing mechanisms to ensure that the final standards are 'scalable' or feasible for all types of companies to adopt (refer to our *web article 1*); and
- the complex area of financed and facilitated emissions[3], an important indicator of transition risk for banks, insurers and asset managers (refer to our *web article 2*).

Our *video blog* highlights the key aspects of the ISSB's September discussions.

For more information about developments in this area, refer to our webpage *Sustainability reporting*.

Sustainability reporting in Canada

In June 2022, the Canadian Sustainability Standards Board (CSSB) was mutually approved by the Accounting Standards Oversight Council and Auditing and Assurance Standards Oversight Council. The CSSB will work closely with the ISSB to ensure that the Canadian perspective is part of international decision making.

[3] 'Financed emissions' refer to the absolute greenhouse gas (GHG) emissions that banks and investors finance through their loans and investments. 'Facilitated emissions' describe other, off-balance-sheet activities performed by financial institutions, such as underwriting, securitization and advisory services.

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At the moment, it is unclear how the work of the ISSB or CSSB will interact with proposed National Instrument 51-107 *Disclosure of Climate-related Matters* published by Canadian Securities Administrators (CSA) in October 2021. The comment period on this proposal closed in February 2022.

The work of the ISSB is also referenced within the Office of the Superintendent of Financial Institutions' (OSFI) disclosure expectations for Federally Regulated Financial Institutions (FRFIs). The proposed guideline, Guideline B-15, establishes OSFI's expectations related to the FRFI's management of climate-related risks. The extended comment period on this proposal ended on September 30, 2022.

Climate-related disclosures

All companies are facing climate-related risks and opportunities. Some are affected more than others. As the impact of climate change intensifies, investors and regulators are increasingly seeking greater transparency of climate-related information in financial statements.

IFRS Standards do not refer explicitly to climate-related risks or climate-related matters, but they implicitly require relevant disclosures in the financial statements when climate-related matters considered in preparing the financial statements are material. Therefore, companies are required to consider materiality carefully in deciding what information to provide about these matters. Information may be material even though there is no current-period financial impact.

Companies need to:

- consider climate-related risks and opportunities and their financial impacts when preparing financial statements.
- consider materiality from both a quantitative and qualitative perspective in relation to disclosures of key judgements and assumptions related to climate risk.
- provide clear and robust disclosures, especially of the key judgements and estimates affected by climate-related matters.
- ensure consistency of assumptions used in relevant areas of the company's financial statements and that they are in sync to the extent appropriate with information related to climate-related risks discussed elsewhere in the annual report. Consider providing additional explanations in the annual report where inconsistencies arise.
- consider relevant regulatory guidance.

For additional information about the potential financial statement impacts from climate-related risks, refer to our *web article*. For a more comprehensive discussion on potential impacts, including measurement and recognition impacts, see our *Climate change financial reporting resource centre*.

Climate-related disclosures – SEC proposals

On March 21, 2022, the US Securities and Exchange Commission (SEC) published its proposed climate reporting and assurance rules *The Enhancement and Standardization of Climate-Related Disclosures for Investors*. The proposed rules are intended to provide more consistent, comparable and reliable information so that investors can better evaluate the impact of climate-related matters on a registrant. They would require expansive disclosures, including some in the financial statements and thus subject to audit; in addition greenhouse gas emissions disclosures that would be subject to assurance. The proposals, if finalized, would also apply to foreign filers who file a Form 20-F with the SEC. However, the proposals have also asked for feedback on whether they should also apply to Canadian filers who file a Form 40-F with the SEC.

The comment period for the proposal ended on June 17, 2022[4].

For more information about the SEC's climate proposal and our response, refer to our *Defining Issues* series *webpage 1*, *webpage 2* and *webpage 3*.

Comparing sustainability reporting proposals

Recent proposals from the ISSB, European Financial Reporting Advisory Group and the SEC are ambitious and would have a significant impact on companies.

There is commonality among each of the proposals, including that the TCFD framework forms a shared input. However, there are also areas where they are not aligned. These could create practical challenges for those companies needing to apply multiple frameworks – e.g. a key practical consideration for these companies will be aligning calculation methodologies.

[4] The comment period for these proposals was recently reopened by the SEC due to an administrative error in receiving comments.

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Refer to our *guide* and *podcast* , which compare the proposals and give our insight on some of the practical challenges companies may encounter as they prepare for the new sustainability reporting standards.

Cybersecurity disclosures – SEC proposals

On March 9, 2022, the SEC published its cybersecurity rule proposal *Cybersecurity Risk Management, Strategy, Governance, and Incident Disclosure*. The proposed rules are intended to provide more consistent, comparable and decision-useful information so that investors can better evaluate a registrant's exposure to cybersecurity risks and incidents and strategies to mitigate those risks and incidents. The proposals, if finalized, would also apply to foreign filers who file a Form 20-F with the SEC. However, the proposals have also asked for feedback on whether they should also apply to Canadian filers who file a Form 40-F with the SEC.

The comment period for the proposal ended on May 9, 2022[4].

For more information about the SEC's cybersecurity proposal, refer to our *webpage*.

Accounting for electronic payments

When settling a trade receivable using an electronic transfer system, the settlement process is automated and can take up to three working days in some jurisdictions. This means that if a company has a trade receivable due from a customer and the customer pays using an electronic transfer system, the company may only receive the cash after a further two working days after the payment was initiated. This raises the question of when a company should recognize the cash received for settlement of the receivable – on the date the customer initiated the payment or on the cash transfer settlement date (the date the company receives the cash in its bank account)?

The IFRIC discussed the submission *Cash Received via Electronic Transfer as Settlement for a Financial Asset (IFRS 9)*, which addressed when a payee derecognizes a trade receivable and recognizes cash when using an electronic transfer system for settlement. In its June 2022 meeting, the IFRIC concluded that under IFRS 9 the company:

- derecognizes the trade receivable on the date on which its contractual right to receive cash expires. This date would depend on the specific facts and circumstances including laws and regulations; and
- recognizes cash only when IFRS 9's recognition requirements are met – i.e. when the cash transfer is settled.

Under this analysis a company would recognize cash only on the transfer settlement date and not before. For trade receivables derecognized before the transfer settlement date, a company would recognize another financial asset (e.g. a right to receive cash from the bank): it would not recognize cash.

Stakeholders raised particular concerns that finalizing the IFRIC's decision could cause disruption to existing accounting practices, cause unintended consequences in the accounting for other payment methods, and be costly and complex to apply.

Given this feedback and the IFRIC's discussions, in its September 2022 meeting the IASB decided to explore narrow-scope standard setting instead of finalizing the decision proposed by the IFRIC.

For more information about this topic, refer to our *webpage*.

Global minimum top-up tax under BEPS 2.0

To address concerns about uneven profit distribution and the tax challenges of the digitalization of the economy, various agreements have been reached globally, including an agreement by over 135 jurisdictions to introduce a global minimum tax rate of 15 percent (referred to as "GloBE").

These jurisdictions are expected to use the Organisation for Economic Co-operation and Development's (OECD) draft legislative framework and detailed guidance to amend their local tax laws. Once changes to local tax laws are enacted or substantively enacted, companies may be subject to the top-up tax.

The GloBE rules apply to multinational groups that have consolidated revenues of EUR 750 million or more in at least two out of the last four years. Multinational groups in the scope of the rules will be required to calculate their GloBE effective tax rate for each jurisdiction where they operate. If the blended GloBE effective tax rate for all companies in a specific jurisdiction is below the 15 percent minimum rate, then they will be liable to pay a top-up tax for the difference. In many cases, the group company liable for the top-up tax will differ from the group company that triggered it.

Applying the rules and determining the impact may be challenging. Further, it may be unclear how the top-up tax will be accounted for under IAS 12 *Income Taxes*, and discussions within the accounting profession are ongoing.

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Governments in different jurisdictions may be at different stages in implementing the new rules. As a result, companies may also be at different stages in their GloBE journey – some may already be modelling effective tax rates; others may still be exploring the rules. However, the release of the OECD's detailed guidance has raised questions about whether companies can estimate the potential impacts and whether they need to provide disclosures in their 2022 interim and annual financial statements. Paragraph 17(c) of IAS 1 *Presentation of Financial Statements* includes overarching requirements to provide additional disclosures when necessary to enable users to understand the impact of particular transactions, other events and conditions on the company's financial position and performance.

If companies expect GloBE to affect them and that information is relevant to the users of financial statements, then they should consider providing qualitative disclosures, where possible.

For more information about the GloBE, refer to our *web article*

IFRIC agenda decisions

Companies applying IFRS Accounting Standards are required to reflect the explanatory material included in final agenda decisions made by the IFRIC. Bookmark our IFRIC agenda decisions *web page* to keep up to date with the latest discussions.

October 2022 agenda decisions

At its September 2022 meeting, the IFRIC reached its conclusions on the following tentative agenda decisions. These agenda decisions will be considered by the IASB at its October 2022 meeting. For more information about the agenda decisions, refer to the *September 2022 IFRIC update*.

Special Purpose Acquisition Companies (SPAC): accounting for warrants at acquisition

The agenda decision relates to a request on how a company should account for warrants on an acquisition of a SPAC listed in a stock exchange. In the fact pattern presented:

- A company acquires a SPAC that does not meet the definition of a business in IFRS 3. The SPAC has only cash, which was raised through an initial public offering (IPO). The objective of the transaction is for the company to obtain the cash and the SPAC's listing in a stock exchange.
- Prior to the acquisition, the SPAC's ordinary shares and warrants are held by its founders and public investors. The SPAC's ordinary shares represent equity instruments as defined in IAS 32. The founder warrants were issued as consideration for services provided at the time of formation, and the public warrants were issued to public investors at the time of IPO together with the ordinary shares.
- To acquire the SPAC, the company issues new ordinary shares and new warrants to the SPAC's founders and public investors in exchange for the SPAC's ordinary shares and cancellation of the SPAC's warrants.
- After the transaction the SPAC becomes a wholly-owned subsidiary of the company, and the company replaces the SPAC as the company listed in the stock exchange.
- The fair value of the instruments issued by the company exceeds the fair value of the SPAC's identifiable net assets.

The IFRIC noted that the company needs to assess whether it assumes the SPAC warrants as part of the acquisition, considering the specific facts and circumstances of the transaction (including the transaction's legal structure).

- If the company concludes that it assumes the SPAC warrants, it issues ordinary shares to acquire the SPAC and assumes the SPAC warrants as part of the acquisition. The company then issues new warrants to replace the SPAC warrants assumed. The company then applies IAS 32 to the SPAC warrants and determines whether it accounts for the replacement of the SPAC warrants separately from the SPAC acquisition.
- If the company concludes that it does not assume the SPAC warrants, the company issues both ordinary shares and new warrants to acquire the SPAC. In this case, the company determines to what extent it issued each type of instruments to acquire (i) the cash (and applies IAS 32 in accounting for the instrument), and (ii) the stock exchange listing service (and applies IFRS 2 in accounting for the instrument).

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Multi-currency groups of insurance contracts (IFRS 17 and IAS 21)

The request relates to how a company should account for insurance contracts that generate cash flows in more than one currency. Specifically, the submission asked:

- whether a company considers currency exchange rate risks in the application of IFRS 17 to identify portfolios of insurance contracts; and
- how a company applies IAS 21 in conjunction with IFRS 17 in measuring a multi-currency group of insurance contracts – i.e. a group of insurance contracts that generate cash flows in more than one currency.

The IFRIC noted that:

- When a company identifies portfolios of insurance contracts, all risks (including currency exchange rate risks) are required to be considered. A portfolio comprises contracts subject to similar (not identical) risks, and therefore a company could identify portfolios of contracts that include contracts subject to different currency exchange rate risks.
- In measuring a multi-currency group of insurance contracts, a company (i) applies all measurement requirements in IFRS 17 to the group of insurance contracts; (ii) applies IAS 21 to translate at the end of the reporting period the carrying amount of the group into the company's functional currency at the closing rate; and (iii) uses judgement to develop and apply an accounting policy that determines on initial recognition the currency (or currencies) in which the group is denominated.

Lessor forgiveness of lease payments (IFRS 9 and IFRS 16)

The request relates to how a lessor should apply IFRS 9 and IFRS 16 in accounting for a particular rent concession.

In the fact pattern presented, the lessor legally releases the lessee from its obligation to make specific lease payments, which include both amounts contractually due but not paid (which the lessor had recognised as an operating lease receivable) and amounts that are not yet contractually due. Before the rent concession is granted, the lessor had applied the expected credit loss model in IFRS 9 to the operating lease receivable. No other changes are made to the lease contract.

The submission asked:

- how the lessor applies the expected credit loss (ECL) model in IFRS 9 to the operating lease receivable when it expects to forgive lease payments due from the lessee; and
- whether the lessor applies the derecognition requirements in IFRS 9 or the lease modification requirements in IFRS 16 in accounting for the rent concession.

The IFRIC noted:

- Before the rent concession is granted, the lessor measures ECL on the operating lease receivable in a way that reflects an unbiased and probability-weighted amount determined by evaluating a range of possible outcomes, which include its expectation of forgiving lease payments.
- The lessor applies derecognition requirements in IFRS 9 to forgiven lease payments that the lessor had recognized as an operating lease receivable, and the lease modification requirements in IFRS 16 to forgiven lease payments that the lessor had not recognized as an operating lease receivable as they were not yet due.

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Requirements effective in 2022

New requirements effective for annual reporting periods beginning on or after January 1, 2022[5].

Property, plant and equipment – proceeds before intended use (Amendments to IAS 16)

In the process of making an item of PP&E available for its intended use, a company may produce and sell items – e.g. minerals extracted in the process of constructing an underground mine or oil and gas from testing wells before starting production.

To address diversity in practice, the IASB has amended IAS 16 *Property, Plant and Equipment* to provide guidance on the accounting for such sale proceeds and the related production costs.

Under the amendments, proceeds from selling items before the related item of PP&E is available for use should be recognized in profit or loss, together with the costs of producing those items. IAS 2 *Inventories* should be applied in identifying and measuring these production costs.

The amendments apply for annual reporting periods beginning on or after January 1, 2022. The amendments apply retrospectively, but only to items of PP&E made available for use on or after the beginning of the earliest period presented in the financial statements in which the company first applies the amendments.

For additional information, refer to KPMG's *web article*.

Onerous contracts – cost of fulfilling a contract (Amendments to IAS 37)

The requirements in IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* specify that a contract is 'onerous' when the unavoidable costs of meeting the contractual obligations – i.e. the lower of the costs of fulfilling the contract and the costs of terminating it – outweigh the economic benefits.

Historically, IAS 37 did not have guidance on how to determine the 'costs of fulfilling the contract' and consequently there was diversity in practice.

The amendments clarify that the 'costs of fulfilling a contract' comprise both:

- the incremental costs – e.g. direct labour and materials; and
- an allocation of other direct costs – e.g. an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract.

This clarification is unlikely to affect companies that already apply the 'full cost' approach, but those that apply the 'incremental cost' approach will need to recognize bigger and potentially more provisions.

The amendments apply for annual reporting periods beginning on or after January 1, 2022 to contracts existing at the date when the amendments are first applied. At the date of initial application, the cumulative effect of applying the amendments is recognized as an opening balance adjustment to retained earnings or other component of equity, as appropriate. The comparatives are not restated.

For additional information, refer to KPMG's *web article*.

[5] New requirements effective for annual reporting periods beginning on or after January 1, 2022 also include Reference to the Conceptual Framework (Amendments to IFRS 3 *Business Combinations*).

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Annual improvements to IFRS Standards 2018–2020

As part of its process to make non-urgent but necessary amendments to IFRS Standards, the IASB has issued the Annual Improvements to IFRS Standards 2018–2020.

The amendments to IAS 1 *First-time Adoption of International Financial Reporting Standards* simplify the application of IFRS 1 *First-time Adoption of International Financial Reporting Standards* for a subsidiary that becomes a first-time adopter of IFRS Standards later than its parent – i.e. if a subsidiary adopts IFRS Standards later than its parent and applies IFRS 1.D16(a), then a subsidiary may elect to measure cumulative translation differences for all foreign operations at amounts included in the consolidated financial statements of the parent, based on the parent's date of transition to IFRS Standards.

The amendments to IFRS 9 clarify that – for the purpose of performing the '10 per cent test' for derecognition of financial liabilities – in determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

The amendments to IFRS 16 remove the illustration of payments from the lessor relating to leasehold improvements. As previously drafted, this example was not clear as to why such payments are not a lease incentive.

The amendments to IAS 41 *Agriculture* remove the requirement to exclude cash flows for taxation when measuring fair value, thereby aligning the fair value measurement requirements in IAS 41 with those in IFRS 13.

For additional information, refer to KPMG's *web article*.

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Appendix 1: Requirements effective in 2023 and beyond

A reminder of standards and amendments to published standards not yet effective, but available for early adoption are listed in this table.

Effective for periods beginning on or after	Standards and amendments	KPMG's guidance
January 1, 2023	IFRS 17 and Amendments to IFRS 17	*Web article* (with links to in-depth analysis)
January 1, 2023	Classification of liabilities as current or non-current (Amendments to IAS 1)*	*Web article 1* *Web article 2*
January 1, 2023	Definition of accounting estimates (Amendments to IAS 8)	*Web article*
January 1, 2023	Disclosure of accounting policies (Amendments to IAS 1 and IFRS Practice Statement 2 *Making Materiality Judgements*)	*Web article*
January 1, 2023	Deferred tax related to assets and liabilities arising from a single transaction (Amendments to IAS 12 *Income Taxes*)	*Web article*
January 1, 2024	Lease liability in a sale and leaseback (Amendments to IFRS 16)	*Web article*
NA**	Sale or contribution of assets between an investor and its associate or joint venture (Amendments to IFRS 10 and IAS 28)	

* Subject to further standard setting, see page 11.

** The IASB has decided to defer the effective date for these amendments indefinitely. Adoption is still permitted.

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Appendix 2: IASB work plan

These tables are intended to act as an outlook of current IASB projects that may impact your financial statements in the future. More information about the projects is available on the IASB's *work plan page*.

Standard-setting projects	Next milestone	Expected date	KPMG's guidance
Dynamic risk management	Exposure draft	-	
Financial instruments with characteristics of equity	Exposure draft	-	
Management commentary	Decide project direction	-	*Web article*
Primary financial statements	IFRS Accounting Standard	-	*Web article* *New on the Horizon*
Rate-regulated activities	IFRS Accounting Standard	-	*In the headlines, issue 2014/20* *Web article*
Disclosure initiative – targeted standards-level review of disclosures	Decide project direction	October 2022	*Web article*
Disclosure initiative – subsidiaries without public accountability: disclosures	IFRS Accounting Standard	-	*Web article*
Second comprehensive review of the IFRS for SMEs accounting standard	Exposure draft feedback	H1 2023	

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Research projects	Next milestone	Expected date	KPMG's guidance
Business combinations under common control	Decide project direction	-	*Web article*
Equity method	Decide project direction	-	
Extractive activities	Decide project direction	H1 2023	
Goodwill and impairment	Decide project direction	November 2022	
Post-implementation review of IFRS 15	Request for Information	H1 2023	
Post-implementation review of IFRS 9 – classification and measurement	Feedback statement	December 2022	
Post-implementation review of IFRS 9 – impairment	Request for information	H1 2023	

Maintenance projects	Next milestone	Expected date	KPMG's guidance
Contractual cash flow characteristics of financial assets (amendments to IFRS 9)	Exposure draft	-	
Lack of exchangeability (amendments to IAS 21)	Decide project direction	-	*Web article*
Non-current liabilities with covenants (amendments to IAS 1)	IFRS Accounting Standard amendment	November 2022	*Web article*
Provisions – targeted improvements	Decide project direction	-	
Supplier finance arrangements	Decide project direction	November 2022	*Web article*

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Application questions	Next milestone	Expected date	KPMG's guidance
Cash received via electronic transfer as settlement for a financial asset (IFRS 9)	Decide project direction	-	*Web article*
Lessor forgiveness of lease payments (IFRS 9 and IFRS 16)	Agenda decision	October 2022	
Multi-currency groups of insurance contracts (IFRS 17 and IAS 21)	Agenda decision	October 2022	
Special purpose acquisition companies (SPAC): accounting for warrants at acquisition	Agenda decision	October 2022	

Sustainability	Next milestone	Expected date	KPMG's guidance
Climate-related disclosures	IFRS Sustainability Disclosure Standard	-	*Web article*
General sustainability-related disclosures	IFRS Sustainability Disclosure Standard	-	*Web article*
IFRS sustainability disclosure taxonomy	Feedback on staff request for feedback	November 2022	

Other projects	Next milestone	Expected date	KPMG's guidance
IFRS accounting taxonomy update – amendments to IAS 1 and IFRS 16	Proposed IFRS taxonomy update	November 2022	
IFRS taxonomy update – 2022 general improvements and common practice	Proposed IFRS taxonomy update	-	
ISSB consultation on agenda priorities	Request for information	December 2022	

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